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TOWNSHIP OF NORWICH
Missaukee County, Michigan
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | |
|--|-------------------------------------|---|----------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Township of Norwich | County Missaukee |
| Audit Date March 31, 2004 | Opinion Date June 9, 2004 | Date Accountant Report Submitted to State: June 9, 2004 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| | | | |
|--|--|-------------------------|--------------------|
| Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C. | | | |
| Street Address 512 N. Lincoln, Suite 100, P.O. Box 686 | | City Bay City | State MI |
| Accountant Signature Campbell, Kusterer & Co., P.C. | | Zip 48707 | |

TOWNSHIP OF NORWICH
Missaukee County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 9, 2004

To the Township Board
Township of Norwich
Missaukee County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Norwich, Missaukee County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Norwich's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Norwich, Missaukee County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Norwich, Missaukee County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF NORWICH
Missaukee County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES
March 31, 2004

EXHIBIT A

| | <u>Governmental Fund Types</u> | | <u>Fiduciary Fund Type</u> | <u>Total (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|--------------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | <u>Agency</u> | |
| <u>Assets</u> | | | | |
| Cash in bank | 159 378 59 | 114 486 79 | - | 273 865 38 |
| Taxes receivable | <u>7 465 48</u> | <u>5 036 96</u> | - | <u>12 502 44</u> |
| Total Assets | <u>166 844 07</u> | <u>119 523 75</u> | - | <u>286 367 82</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | |
| Unreserved: | | | | |
| Undesignated | <u>166 844 07</u> | <u>119 523 75</u> | - | <u>286 367 82</u> |
| Total fund balances | <u>166 844 07</u> | <u>119 523 75</u> | - | <u>286 367 82</u> |
| Total Liabilities and Fund Balances | <u>166 844 07</u> | <u>119 523 75</u> | - | <u>286 367 82</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NORWICH
Missaukee County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

| | <u>Governmental Fund Types</u> | | Total (Memorandum Only) |
|---------------------------------|--------------------------------|----------------------------|-------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | |
| Revenues: | | | |
| Property taxes | 33 264 10 | 22 443 19 | 55 707 29 |
| Other taxes – swamp | 5 627 25 | - | 5 627 25 |
| State revenue sharing | 45 797 25 | - | 45 797 25 |
| Charges for services – fire | - | 4 000 00 | 4 000 00 |
| Charges for services – cemetery | 120 00 | - | 120 00 |
| Interest | 1 325 89 | 1 157 83 | 2 483 72 |
| Rents | 505 00 | - | 505 00 |
| Miscellaneous | 7 042 58 | 225 00 | 7 267 58 |
| Total revenues | <u>93 682 07</u> | <u>27 826 02</u> | <u>121 508 09</u> |
| Expenditures: | | | |
| Legislative: | | | |
| Township Board | 2 200 00 | - | 2 200 00 |
| General government: | | | |
| Supervisor | 3 500 00 | - | 3 500 00 |
| Assessor | 11 242 10 | - | 11 242 10 |
| Clerk | 6 191 84 | - | 6 191 84 |
| Board of Review | 600 00 | - | 600 00 |
| Treasurer | 9 978 80 | - | 9 978 80 |
| Building and grounds | 10 236 01 | - | 10 236 01 |
| Cemetery | 3 185 34 | - | 3 185 34 |
| Unallocated | 24 370 42 | - | 24 370 42 |
| Public safety: | | | |
| Fire protection | - | 20 289 75 | 20 289 75 |
| Public works: | | | |
| Highways and streets | 9 033 23 | - | 9 033 23 |
| Culture and recreation: | | | |
| Recreation | 6 862 50 | - | 6 862 50 |
| Other: | | | |
| Insurance | 8 527 00 | - | 8 527 00 |
| Pension | 1 931 00 | - | 1 931 00 |
| Payroll taxes | 757 31 | - | 757 31 |
| Capital outlay | 179 49 | 11 655 70 | 11 835 19 |
| Total expenditures | <u>98 795 04</u> | <u>31 945 45</u> | <u>130 740 49</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NORWICH
Missaukee County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

| | <u>Governmental Fund Types</u> | | <u>Total (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|--|
| | <u>General</u> | <u>Special Revenue</u> | |
| Excess (deficiency) of revenues over expenditures | (5 112 97) | (4 119 43) | (9 232 40) |
| Fund balances, April 1 | <u>171 957 04</u> | <u>123 643 18</u> | <u>295 600 22</u> |
| Fund Balances, March 31 | <u>166 844 07</u> | <u>119 523 75</u> | <u>286 367 82</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NORWICH
Missaukee County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

EXHIBIT C
Page 1

Year Ended March 31, 2004

| | General Fund | | |
|---------------------------------|------------------|------------------|---------------------------|
| | Budget | Actual | Over (Under) Budget |
| Revenues: | | | |
| Property taxes | 31 000 00 | 33 264 10 | 2 264 10 |
| Other taxes – swamp | 3 000 00 | 5 627 25 | 2 627 25 |
| State revenue sharing | 41 500 00 | 45 797 25 | 4 297 25 |
| Charges for services – fire | - | - | - |
| Charges for services – cemetery | 100 00 | 120 00 | 20 00 |
| Interest | 2 000 00 | 1 325 89 | (674 11) |
| Rents | 100 00 | 505 00 | 405 00 |
| Miscellaneous | 2 300 00 | 7 042 58 | 4 742 58 |
| Total revenues | <u>80 000 00</u> | <u>93 682 07</u> | <u>13 682 07</u> |
| Expenditures: | | | |
| Legislative: | | | |
| Township Board | 2 200 00 | 2 200 00 | - |
| General government: | | | |
| Supervisor | 3 600 00 | 3 500 00 | (100 00) |
| Elections | 1 000 00 | - | (1 000 00) |
| Assessor | 11 280 00 | 11 242 10 | (37 90) |
| Clerk | 7 100 00 | 6 191 84 | (908 16) |
| Board of Review | 600 00 | 600 00 | - |
| Treasurer | 10 500 00 | 9 978 80 | (521 20) |
| Building and grounds | 13 020 00 | 10 236 01 | (2 783 99) |
| Cemetery | 5 000 00 | 3 185 34 | (1 814 66) |
| Unallocated | 36 000 00 | 24 370 42 | (11 629 58) |
| Public safety: | | | |
| Fire protection | - | - | - |
| Public works: | | | |
| Highways and streets | 3 500 00 | 9 033 23 | 5 533 23 |
| Culture and recreation: | | | |
| Recreation | 5 000 00 | 6 862 50 | 1 862 50 |
| Other: | | | |
| Insurance | 9 000 00 | 8 527 00 | (473 00) |
| Pension | 3 928 00 | 1 931 00 | (1 997 00) |
| Payroll taxes | 1 875 00 | 757 31 | (1 117 69) |
| Capital outlay | <u>20 000 00</u> | <u>179 49</u> | <u>(19 820 51)</u> |

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

| <u>Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|------------------|------------------|------------------------------------|
| 21 000 00 | 22 443 19 | 1 443 19 |
| - | - | - |
| - | - | - |
| 4 000 00 | 4 000 00 | - |
| - | - | - |
| 1 700 00 | 1 125 08 | (574 92) |
| - | - | - |
| <u>-</u> | <u>257 75</u> | <u>257 75</u> |
| <u>26 700 00</u> | <u>27 826 02</u> | <u>1 126 02</u> |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 35 710 00 | 20 289 75 | (15 420 25) |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| <u>12 000 00</u> | <u>11 655 70</u> | <u>(344 30)</u> |

TOWNSHIP OF NORWICH
Missaukee County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

| | <u>General Fund</u> | | <u>Over (Under) Budget</u> |
|--|---------------------|-------------------|------------------------------------|
| | <u>Budget</u> | <u>Actual</u> | |
| Total expenditures | <u>133 603 00</u> | <u>98 795 04</u> | <u>(34 807 96)</u> |
| Excess (deficiency) of revenues over expenditures | (53 603 00) | (5 112 97) | 48 490 03 |
| Fund balances, April 1 | <u>165 632 01</u> | <u>171 957 04</u> | <u>6 325 03</u> |
| Fund Balances, March 31 | <u>112 029 01</u> | <u>166 844 07</u> | <u>54 815 06</u> |

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

| <u>Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|-------------------|-------------------|------------------------------------|
| <u>47 710 00</u> | <u>31 945 45</u> | <u>(15 764 55)</u> |
| (21 010 00) | (4 119 43) | 16 890 57 |
| <u>123 785 88</u> | <u>123 643 18</u> | <u>(142 70)</u> |
| <u>102 775 88</u> | <u>119 523 75</u> | <u>16 747 87</u> |

TOWNSHIP OF NORWICH
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Norwich, Missaukee County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Norwich. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This funds is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

TOWNSHIP OF NORWICH
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 2.4220 mills, and the taxable value was \$23,002,921.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. The Township has not maintained the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

TOWNSHIP OF NORWICH
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF NORWICH
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF NORWICH
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

| | <u>Carrying Amounts</u> |
|---|-----------------------------|
| Total Deposits | <u>273 865 38</u> |
| Amounts in the bank balances are without considering deposits in transit or uncleared checks. | |
| | <u>Bank Balances</u> |
| Insured (FDIC) | 100 000 00 |
| Uninsured and Uncollateralized | <u>174 096 48</u> |
| Total Deposits | <u>274 096 48</u> |

The Township of Norwich did not have any investments as of March 31, 2004.

Note 3 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 4 – Pension Plan

The Township has a defined contribution plan covering all full-time employees. The Township contributes a percentage of each covered employee's wages to the plan. The covered employees also contribute a percentage of their wages to the plan. The net pension expense for the fiscal year ended March 31, 2004, was \$1,931.00.

Note 5 – Risk Management

The Township is exposed to various risk of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF NORWICH
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 6 – Building Permits

The Township of Norwich does not issue building permits. Building permits are issued by the County of Missaukee.

Note 7 – Budget Variances

Public Act 621 of 1978 requires that a municipality shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township were adopted on an activity level, and amended periodically by the Township Board. During the year ended March 31, 2004, the Township incurred expenditures in certain activities which were in excess of the amounts appropriated.

| | <u>Total Budget</u> | <u>Total Expenditures</u> | <u>Budget Variance</u> |
|-----------------------|-------------------------|-------------------------------|----------------------------|
| <u>Fund/Activity:</u> | | | |
| General Fund: | | | |
| Highways and streets | 3 500 00 | 9 033 23 | 5 533 23 |
| Recreation | 5 000 00 | 6 862 50 | 1 862 50 |

Note 8 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF NORWICH
Missaukee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

| | |
|-------------------------|------------------|
| Township Board: | |
| Wages | <u>2 200 00</u> |
| Supervisor: | |
| Salary | <u>3 500 00</u> |
| Assessor: | |
| Wages | 9 729 00 |
| Office supplies | <u>1 513 10</u> |
| | <u>11 242 10</u> |
| Clerk: | |
| Salary | 6 000 00 |
| Office supplies | <u>191 84</u> |
| | <u>6 191 84</u> |
| Board of Review: | |
| Wages | <u>600 00</u> |
| Treasurer: | |
| Salary | 7 500 00 |
| Office supplies | <u>2 478 80</u> |
| | <u>9 978 80</u> |
| Building and grounds: | |
| Repairs and maintenance | 2 250 64 |
| Utilities | 7 597 37 |
| Miscellaneous | <u>388 00</u> |
| | <u>10 236 01</u> |
| Cemetery: | |
| Wages | 3 085 00 |
| Supplies | <u>100 34</u> |
| | <u>3 185 34</u> |
| Unallocated: | |
| Printing and publishing | 149 44 |
| Dues and subscriptions | 500 51 |
| Legal | 1 430 76 |
| Contracted services | 12 978 59 |
| Miscellaneous | <u>9 311 12</u> |
| | <u>24 370 42</u> |
| Highways and streets: | |
| Contracted services | <u>9 033 23</u> |

TOWNSHIP OF NORWICH
Missaukee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

| | |
|-------------------------|-------------------------|
| Culture and recreation: | |
| Recreation | <u>6 862 50</u> |
| Insurance | <u>8 527 00</u> |
| Pension | <u>1 931 00</u> |
| Payroll taxes | <u>757 31</u> |
| Capital outlay | <u>179 49</u> |
| Total Expenditures | <u><u>98 795 04</u></u> |

TOWNSHIP OF NORWICH
Missaukee County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

| | <u>Balance</u> <u>4/1/03</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>3/31/04</u> |
|--------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| <u>Assets</u> | | | | |
| Cash in bank | 10 03 | 647 001 47 | 647 011 50 | - |
| Total Assets | <u>10 03</u> | <u>647 001 47</u> | <u>647 011 50</u> | <u>-</u> |
| <u>Liabilities</u> | | | | |
| Due to other funds | 10 03 | 43 170 80 | 43 180 83 | - |
| Due to other units | - | 603 830 67 | 603 830 67 | - |
| Total Liabilities | <u>10 03</u> | <u>647 001 47</u> | <u>647 011 50</u> | <u>-</u> |

TOWNSHIP OF NORWICH
Missaukee County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT F

| | |
|--|-------------------|
| Cash in bank – beginning of year | <u>10 03</u> |
| Cash receipts: | |
| Current property tax | 646 928 72 |
| Animal licenses | <u>72 75</u> |
| Total cash receipts | <u>647 001 47</u> |
| Total beginning balance and cash receipts | <u>647 011 50</u> |
| Cash disbursements: | |
| Township General Fund | 25 774 60 |
| Township Fire Fund | 17 406 23 |
| Missaukee County | 232 519 75 |
| Waxford Missaukee Intermediate School District | 107 048 79 |
| Lake City Area School | 259 652 13 |
| Refunds | <u>4 610 00</u> |
| Total cash disbursements | <u>647 011 50</u> |
| Cash in Bank – End of Year | <u>-</u> |

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

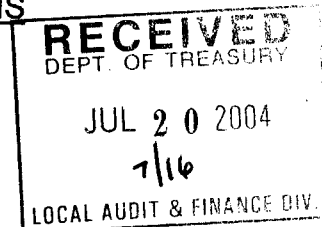
512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 9, 2004

To the Township Board
Township of Norwich
Missaukee County, Michigan



We have audited the financial statements of the Township of Norwich for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Norwich in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Norwich
Missaukee County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Norwich
Missaukee County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Norwich will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.

Certified Public Accountants